

Contract Price/Cost Considerations Guideline - 3.2.G (02/19/04)

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This guideline has been revised to advise the SCR that:

- This revision stipulates in Section 3.2.G.6.d.3 that the SCR is to identify the participants in a contract negotiation.

Definitions

Commercial item is any item other than real property, that is of a type customarily used for nongovernmental purposes and which meets at least one of the following criteria:

- Has been sold, leased, or licensed to the general public (general public means buyers other than the government or affiliates of the offeror).
- Has been offered for sale, lease, or license to the general public.
- Has evolved from a commercial item described above through advances in technology or performance and, while not yet available in the commercial marketplace, will be available in the commercial marketplace in time to satisfy the SNL's delivery requirements.
- Any item that would satisfy the first three bullets above even if it requires modifications customarily available in the commercial marketplace or minor modifications not customarily commercially available made to meet SNL requirements.
- Minor modifications means modifications that do not significantly alter the nongovernmental function or essential physical characteristics of an item or component, or change the purpose of a process. Factors to be considered in determining whether a modification is minor include the value and size of the modification and the comparative value and size of the final product. Dollar values and percentages may be used as guideposts, but are not conclusive evidence that a modification is minor.

Also within the definition of commercial item are the following services:

- Installation, maintenance, repair, training, and other services, if such services are procured for support of a commercial item, and if the source of the services:
 - offers the services to SNL and to the general public contemporaneously and under similar terms and conditions, or
 - offers to use the same workforce in providing services to SNL as used to provide services to the general public.
- Services of a type offered and sold in substantial quantities in the commercial marketplace based on established catalog or market prices for specific tasks (does not include services sold based on hourly rates without a fixed catalog price for a specific service performed).

Established Catalog Prices are prices, including discount prices, recorded in a catalog, price list, schedule, or other verifiable and established record that are regularly maintained by the manufacturer or supplier. The term includes data kept in electronic databases.

Cost Realism is reflected in an offeror's proposed costs, which are:

- realistic for the work to be performed,
- reflect a clear understanding of the requirements, and
- are consistent with the various elements of the offeror's technical proposal.

Cost Realism Analysis is an objective process of identifying the specific elements of a cost estimate or a proposed price, (i.e., labor, materials, etc.) and comparing those elements against reliable and independent means of cost measurement. This includes judging whether or not the -

- Estimates under analysis are verifiable, complete, and accurate.
- Offeror's estimating methodology is logical, appropriate, and adequately explained so that the cost or prices proposed fairly represent the costs likely to be incurred for the proposed services, utilizing the offeror's technical and management approach.

The primary emphasis of a cost realism analysis is to determine whether costs may be overstated or understated.

The information for determining realism of the Contractor's proposed costs may be obtained from the Sandia Technical Representative requiring the supplies or services (via the information obtained in the "Request for Technical Evaluation Cost Proposal" memo - see Procurement Guideline 3.2.G.10).

Cost realism analysis is a limited form of cost analysis (lesser in scope and in detail) which should determine the most probable cost for the major cost elements based on the offeror's technical approach.

Priced Options - options for which a fixed price/rate is known and established, at the time of the original contract award, giving SNL the right to unilaterally exercise the option.

- **Note:** Options in contracts which utilize the DRI/DOL formula for out-year rate calculations **are** considered priced options if all of the determinants of the next year's price are already included in the contract.

Unpriced Options - options for which a fixed-price/rate or estimated cost is not known or established at the time of original contract award.

Price Analysis is the process of examining and evaluating a prospective price without evaluation of the separate cost elements and profit.

Cost Analysis is the review and evaluation of the individual cost elements and profit/fee which, when added together, constitute the contract price. This includes the judgmental factors used to prepare the estimate of what it should cost to perform the proposed SOW and the analysis of the basis for cost projections.

Cost or Pricing Data consists of all facts that, as of the date of price agreement or, if applicable, an earlier date agreed upon between the parties that is as close as practicable to the date of agreement on price, which prudent buyers and sellers would reasonably expect to have a significant effect on the price negotiations. **Cost or pricing data requires certification.** Cost or

pricing data are factual, not judgmental, and are verifiable. While they do not indicate the accuracy of the prospective Contractor's judgment about estimated future costs or projections, they do include the data forming the basis for that judgment. The distinction between fact and judgment should be clearly understood. It includes more than historical accounting data; they are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred. They include such factors as:

- vendor quotations,
- nonrecurring costs,
- information on changes in production methods and production or procurement volume,
- data supporting projections of business prospects and objectives,
- related operations costs,
- unit cost trends such as those associated with labor efficiency,
- make-or-buy decisions,
- estimated resources to attain business goals, and
- information on management decisions which could have a significant bearing on costs.

Information Other than Cost or Pricing Data. Information that is not required to be certified and is necessary to determine price reasonableness or cost realism. Such information may include pricing, sales, or cost information, and includes cost or pricing data for which certification is determined inapplicable after submission. This information includes established catalog or market prices or previous contract prices (relying on information: (1) available within SNL; (2) obtained from sources other than the offeror; and (3) from the Offeror, if necessary). When obtaining information from the Offeror is necessary, such information submitted by the offeror shall include, at a minimum, appropriate information on the prices at which the same or similar items have been sold previously, adequate for evaluating the reasonableness of the price.

General - 3.2.G.1

The objective of analyzing a Contractor's proposal is to ensure that the final agreed-to-price is fair and reasonable. The SCRs, acting within their scope of authority, are SNL's agents to enter into and administer procurement contracts. The SCR is responsible for performing, or having performed, all actions necessary for effective contract negotiation, award and administration. The Price/Cost Analyst may be utilized to assist the SCR in making the determination of price reasonableness, whenever necessary.

The SCR is ultimately responsible for determining and documenting price and cost reasonableness. Therefore, the SCR, as appropriate, should use one or more of the techniques outlined in this guideline to perform cost and price analysis and to determine a fair and reasonable price on proposals below \$550K

Price analysis is the primary tool to justify price reasonableness. Alternative methods may include cost analysis and cost realism analysis. The type and degree of analysis is dependent on the type of procurement involved, the dollar value, and the facts of the procurement. Generally, price analysis is sufficient on competitive procurements for commercial items, while other purchases may require cost analysis or price analysis or both to determine price reasonableness.

To determine the reasonableness of the offered prices, a suggested order of preference for obtaining information is given below. The SCR should not obtain more information than is necessary to establish price reasonableness. The following order of preference should generally be followed to determine the type of information required to establish the reasonableness of the offered prices.

- No further information is required if the price is based on adequate price competition.
 - Information, other than cost or pricing data if adequate price competition is not present. This information is generally limited to information required to determine price reasonableness or to perform cost realism. It is also cost information that does not meet the definition of cost or pricing data.
 - Cost or pricing data.
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Price Analysis - 3.2.G.2

Price analysis is the process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit. This section discusses methods by which the SCR can perform a price analysis in order to establish price reasonableness. The price analysis process includes:

- Comparison of price quotations submitted. If competition was used to establish price reasonableness, the SCR should consider the degree to which competition did exist. If Contractors took material exceptions to the terms and conditions of the solicitation, competition may not exist. Material exceptions to a solicitation are those that affect the price, quality, quantity or delivery of the goods or services offered. Large differences in prices may indicate the presence of error on the part of the Contractor, or misunderstandings in the statement of work. In these cases, competition may not exist. In any case, all issues need to be resolved before a decision to award on the basis of competition can be made.
- Comparison of the prices of prior contract prices with current offers for the same or

similar items.

- Use of rough yardsticks such as dollars per pound, per horsepower, or other units.
- A comparison of the price proposed by the Contractor with established catalog prices. The mere existence of pricing taken from established catalog prices may not, in itself, justify price reasonableness if market or other conditions reduce the validity of that analysis. The SCR should also consider if the established catalog price is a retail, wholesale, or distributor price and if the goods and services purchased by Sandia are actually comparable to the goods and services listed in the established catalog price. The SCR should attempt to negotiate a lower price as some Contractors may sell goods and services at prices substantially less than those published. Sandia frequently buys multiple items from a supplier over a period of time. The SCR should make every effort to obtain the lowest price using any of the tools available. (Example, Lockheed Martin Pricing Agreements, ICPT Agreements, or negotiation.) The SCR should also consider contacting other customers of the supplier who have acquired the same or similar items to verify that SNL is receiving the best price;
- A comparison of proposed prices with estimates of cost independently prepared by SNL personnel.
- A comparison of proposed prices obtained through market research for the same or similar items.

Orders against Federal Supply Schedules (FSS) do not require further price justification since: (1) GSA has already determined the price to be fair and reasonable, and (2) these schedules are awarded using competitive procedures.

Adequate Price Competition - 3.2.G.2.a

Adequate price competition exists when:

1. Two or more responsive quotes are received from responsible offerors, competing independently, that can satisfy SNL's requirements, and if:

- award will be made to the offeror whose proposal represents the best value where price is a substantial factor in source selection, and
- there is no finding that the price of the otherwise successful offeror is unreasonable.

2. There was a reasonable expectation, based on market research or other assessment, that two or more responsible offerors, competing independently, would submit priced offers in response to the solicitation's expressed requirements, even though only one offer is received from a responsible offeror, and if:

- based on the offer received, the SCR can reasonably conclude that the offer was submitted with the expectation of competition, e.g., circumstances indicate that the offeror (1) believed that at least one other offeror was capable of submitting a meaningful offer, and (2) had no reason to believe that other potential offerors did not

intend to submit an offer.

- the determination that the proposed price is based on adequate price competition, is reasonable, or

3. Price analysis clearly demonstrates that the proposed price is reasonable in comparison with current or recent prices for the same or similar items, adjusted to reflect changes in market conditions, economic conditions, quantities, or Ts&Cs under contracts that resulted from adequate price competition.

Best-Value Tradeoff Analysis - When utilizing the best-value tradeoff analysis method, the SCR analyzes tradeoffs between competing offerors between the Contractor's performance capabilities and price or cost. By doing a best-value tradeoff analysis, adequate price competition may be determined regardless of the contract type; therefore, a certificate of current cost or pricing data is not required.

Price Based on Adequate Price Competition - A price is based on adequate price competition if it results directly from such competition, or if price analysis shows clearly that the price is reasonable in comparison with current or recent prices for the same or substantially the same items procured in comparable quantities under contracts awarded as a result of adequate price competition.

Notes:

1. In cost-type contracts, cost is always a consideration but should not be scored.
2. Procurements may be awarded without further price analysis provided adequate price competition is obtained. Other procurements may be justified by one or more of the price analysis methods specified herein or other methods deemed appropriate by the SCR.
3. Cost or pricing data should not be requested when adequate price competition exists. If adequate price competition does not exist or other means of price justification utilized is deemed inadequate, the SCR may request cost or pricing data to supplement other price justification.

Caution: The price warranty clause, SC 213-HC, Most Favored Customer and Examination of Records, may be used in FFP contracts if there is a need to examine a Contractor's records to verify Contractor's price warranty. This clause is not a substitute for price justification. It only provides for limited audit rights.

Cost Analysis - 3.2.G.3

Cost analysis is a method of determining the reasonableness of the price to be paid by reviewing and evaluating individual cost elements and proposed profit/fee. The SCR should perform a cost analysis when it is determined that other methods of analysis cannot be used to determine price reasonableness. When it is necessary to perform a cost analysis, cost or pricing information may

be requested by the SCR and used to justify reasonableness or acceptability of price, rate, or estimated cost for any type contract.

Some of the considerations included in the cost analysis process are:

- necessity for certain costs,
- reasonableness of estimated costs,

Caution: Auditing verification of labor rates or other proposed costs do not constitute reasonableness.

- basis for contingencies,
 - basis of allocation of indirect expenses,
 - identification and analysis of those costs that make up indirect pools,
 - analysis of labor rates, including hours and categories,
 - allowability of individual cost elements
 - cost comparisons with previous estimates and other cost estimates,
 - prior estimates or historical cost data for same or similar items, and
 - cost trends for the same or similar items.
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Cost Realism - 3.2.G.4

The SCR may also determine the cost realism of the Contractor's proposal, particularly on cost-type contracts. Also, a cost realism analysis may be considered when the solicitation contains new requirements not fully understood by the Contractor or there are quality concerns or past experience indicates that Contractors' proposed costs have resulted in quality or service shortfalls.

Cost or Pricing Data - 3.2.G.5

If price reasonableness cannot be established by any other means, the SCR shall require the prospective Contractor to submit written cost or pricing data (see SNL SF 6432-A thru AF or equivalent) or to identify such data in writing if actual submission of the data is impracticable, and to certify on SF 6432-AAA that, to the best of their knowledge and belief, the cost or pricing data submitted or identified is accurate, complete, and current, prior to the award of:

- any contract which exceeds a value of \$550,000, including priced options, where cost

analysis is used to justify price, rate, or estimated cost reasonableness, **and no exception applies**, and

- any revision to a contract requiring cost or pricing data which involves a price adjustment in excess of \$550,000.

Example: A \$200,000 revision resulting from a reduction of \$400,000 and an increase of \$200,000 is a price adjustment exceeding \$550,000.

Notes:

1. This requirement does not apply when unrelated and separately priced changes for which cost or pricing data would not be required are included in the same modification for administrative convenience.
2. Cost or pricing data is not required if an exception applies.
3. When adequate price competition has been determined through the Best-Value Tradeoff Analysis (although a Certificate of Current Cost or Pricing is not required), the SCR may, at their option, request a certificate, which would give SNL the right to a defective pricing audit.
4. Cost and pricing data may be obtained at the discretion of the SCR for a contract less than \$550,000 but cannot be obtained for acquisitions less than \$100,000.

Exceptions - Cost or Pricing Data - 3.2.G.5.a

Cost or pricing data are not required to be submitted for the following procurements:

- Orders under ICOs.
- Prices are set by law or regulation.
- When a commercial item is being acquired.
- When modifying a contract or subcontract for a commercial item.
- Where, in exceptional cases, DOE **waives** in writing the requirements for cost or pricing data. DOE rarely grants a waiver, and the process may delay placement of a contract.
- The exercise of an option at the price established at contract award or initial negotiation does not require submission of cost or pricing data.
- For proposals used solely for overrun funding or interim billing price adjustments.

The SCR may contact Contract Auditing for additional support.

Certificate of Current Cost or Pricing Data - 3.2.G.5.b

Whenever Cost or Pricing Data is required to be submitted, the SCR shall require the Contractor to submit a properly executed Certificate of Current Cost or Pricing Data per SF 6432-AAA. If

the form is furnished by the Contractor, the exact language on SF 6432-AAA shall be used including Notes 1, 2, 3, and 4.

The SCR shall determine that the certificate is completed and signed by appropriate Contractor personnel. The SCR shall assure that the certificate is executed in accordance with Instructions 1, 2, 3, and 4 on SF 6432-AAA.

The certificate must appropriately identify the cost or pricing data, which is certified as being accurate, complete, and current. The date as of which the cost or pricing data is being certified (see Note 3 on SF 6432-AAA) shall be the date when the negotiations were concluded, and the contract price was agreed to by the SCR and the Contractor. This date usually precedes the actual contract date. If contract award is delayed and the circumstances or conditions have changed, the SCR shall be responsible for updating the certification as necessary.

The "Date of Execution" of SF 6432-AAA should be as close as practicable to the date when price negotiations were concluded and the contract price agreed upon. This date may be different from the date as of which the cost or pricing data is being certified.

Subcontractor Requirements - Cost or Pricing Data - 3.2.G.5.c

The requirements for submission of a Certificate of Current Cost or Pricing Data by lower tier subcontractors to the next higher tier Contractor or subcontractor are the same as those specified for contracts between SNL and its Contractors.

The SCR shall ensure that a Contractor who is required to submit cost or pricing data also submits to SNL accurate, complete, and current cost or pricing data from prospective subcontractors in support of each subcontract cost estimate that is:

- \$10 million or more, or
- greater than the cost or pricing data threshold (\$550,000) **and** greater than 10 percent of Contractor's proposed price.

Reminder: This provision does not apply to prospective subcontracts where adequate price competition exists or the acquisition is for a commercial item, or the price is set by law or regulation.

Note: If the subcontract estimate is based upon the cost or pricing data of the prospective subcontractor most likely to be awarded the subcontract, the SCR shall not require submission of data from more than one proposed subcontractor for that subcontract.

Waiver - Cost or Pricing Data - 3.2.G.5.d

Whenever cost or pricing data is required to be furnished and the prospective Contractor refuses to furnish such data, SNL will not place a contract except upon receipt of written waiver of such data from DOE. SNL requests for waiver of submission of cost or pricing data shall be addressed to DOE/KAO, Contracting Officer, and shall include the following information:

- estimated cost or price of such work,
- a brief description of the proposed contract work to be performed and impact on SNL programs if work is not performed,
- a complete statement of efforts made to resolve the matter which should include:
 - steps taken to secure essential cost data,
 - efforts to secure the Contractor's cooperation in the establishment of a satisfactory business relationship and, if possible, a statement from a corporate official indicating their refusal to supply applicable data,
 - any assurances offered such as agreements to adequately safeguard information furnished, and
 - a statement concerning the practicability of obtaining the supplies or services from another source.
- a statement that SNL considers the price reasonable or acceptable and the basis for the statement (price comparison, etc.), and a statement that SNL recommends approval of the waiver.

Note: The Deputy Director of Procurement and Logistics shall sign all waiver requests.

Defective Cost or Pricing Data - 3.2.G.5.e

Defective pricing can occur on negotiated contracts that are greater than \$550,000 where the Contractor has submitted cost or pricing data. (See Policy and Guideline 4.8 - Contract Audits/Closeouts.)

Documentation of Price/Cost Analysis and Negotiations - 3.2.G.6

The reasonableness of the proposed price should be documented for all procurements.

Documentation of Price/Cost for Oral Solicitations - 3.2.G.6.a

The SCR should establish and maintain records of oral price quotations in order to reflect clearly the propriety of placing the order at the price paid with the supplier concerned. In most cases, this will consist merely of showing the names of the suppliers contacted and the prices and other terms and conditions quoted by each.

Documentation of Price/Cost for Contracts Not Greater Than \$25,000 - 3.2.G.6.b

On procurements of up to a maximum amount of \$25,000, where a PAD/PAS is not generated,

the SCR may use the transaction nature field in Oracle or document the reasons for price reasonableness as a text attachment as applicable with no additional documentation required.

Documentation of Price/Cost for Contracts Greater Than \$25,000 and Up To \$100,000 - 3.2.G.6.c

Keep documentation to a minimum. SCR's shall retain data supporting purchases (paper or electronic) to the minimum extent and duration necessary for management review purposes.

Documentation of Price/Cost for Contracts Greater Than \$25,000 and Up To \$100,000 Requiring Price Analysis Only - 3.2.G.6.c.1

For acquisitions greater than \$25,000 but not exceeding \$100,000, the documentation should discuss prices, delivery, references to printed or electronic price lists used, the supplier or suppliers contacted, the degree to which competition existed if competition was used and other pertinent data such as the Contractor's acceptance of Sandia Ts&Cs, payment terms, and special conditions. If the price justification is based off a comparison with prices in an established catalog, the SCR should include a copy of the established catalog price record or a listing of the Contractor's URL web address in the file. If such a record is not available, the SCR should state the reasons for its unavailability. In all cases, the SCR should state their basis for the determination of price reasonableness in the PAS, PAD, or as an Oracle note.

Documentation of Price/Cost for Contracts Greater Than \$25,000 and Up To \$100,000 Requiring Cost Analysis - 3.2.G.6.c.2

For acquisitions greater than \$25,000, but not exceeding \$100,000, where price analysis by itself is insufficient to document price reasonableness, the documentation must show that the proposed price is fair and reasonable. The SCR should discuss, if necessary, the reasonableness of cost of each of the major price element categories and subcategories such as labor rates, amounts of labor proposed, material prices and quantities, subcontract costs, travel (if significant), and profit. The documentation should state the basis for all findings of reasonableness.

Documentation of Price/Cost For Contracts Greater Than \$100,000 - 3.2.G.6.d

Documentation of Price/Cost For Contracts Greater Than \$100,000 Requiring Price Analysis Only - 3.2.G.6.d.1

For acquisitions exceeding \$100,000, where price justification requires price analysis only, the documentation should discuss prices, delivery, references to printed or electronic price lists used, the supplier or suppliers contacted, other pertinent data such as the Contractor's acceptance of Sandia Ts&Cs conditions, payment terms, special conditions, and the degree to which competition existed if competition was used. If the basis for determination of price reasonableness was comparison of the proposed price with established catalog prices, the SCR must include in the contract file a copy of the established catalog price record or a listing or the Contractor's URL web address. If such a record is not available, the SCR must state the reasons

for its unavailability. If the SCR has reasons to question the validity of the established catalog price record, or if the record is unavailable, the SCR must augment their price analysis using other price analysis techniques described in this guideline. Examples of these techniques would be comparisons with the prices of similar items, comparisons with independent estimates, etc.

Documentation of Price/Cost For Commercial Procurement Contracts between \$100,000 and \$5,000,000 Requiring Price Analysis Only, based on price only - 3.2.G.6.d.2

For commercial procurements between \$100,000 and \$5,000,000, awarded using price analysis only, a PAD or PAS shall be used.

Documentation of Price/Cost For Contracts Greater Than \$100,000 Requiring Cost Analysis - 3.2.G.6.d.3

For each procurement action in excess of \$100,000, the SCR shall set forth the principal elements of the price/cost/rate analysis and negotiations in:

- the PAS, and
- a Price/Cost Analysis and/or Preaward Audit Report, if applicable per Section 3.2.G.7 .

The Price/Cost Analysis Report, and/or the Preaward Audit Report (if applicable) will either be summarized in the PAS, or attached to the PAS, and incorporated therein by reference. The following information, to the extent applicable, shall be included:

- purpose of the negotiations,
- identification of the participants in the negotiation,
- if cost or pricing data was required to be submitted and certified, the date that final negotiations were concluded (date specified on the Certificate of Current Cost or Pricing Data) and the extent to which the SCR:
 - did/did not rely on the factual cost or pricing data submitted, and did/did not use such data in negotiating the price, and
 - recognized in the negotiation that any cost or pricing data submitted by the Contractor was inaccurate, incomplete, or noncurrent; the action taken by the SCR and the Contractor as a result, and the effect, if any, of such defective data on the price negotiated,
- a summary of the analysis of the individual cost elements and the significant facts and considerations involved in determining reasonableness or acceptability,
- most significant facts or considerations controlling the establishment of the initial, revised, or final price, rate or estimated cost, and
- appropriate explanation where the total price negotiated differs significantly from the

total price objective.

Note: Price/Cost Analyst Reports and Preaward Audit Reports are considered to be proprietary to Sandia and are not to be released to the general public.

Documentation of Precontract Costs for Cost Reimbursable and Time and Materials Contracts – 3.2.G.6.e

Under exceptional circumstances, SCRs may determine that it is in the best interests of SNL to allow precontract costs on a cost-reimbursement contract. In rare instances, precontract costs incurred before the effective date of the contract may be allowed to the extent that they would have been allowable if incurred after the date of the contract. Allowance of precontract costs should be reviewed and approved by the level of authority appropriate for the overall contract.

Section II Standard Clauses - 3.2.G.7

Contractor/Subcontractor Cost or Pricing Data clause is included in the Section II Standard Terms and Conditions of SF 6432-CR, SF 6432-FP, SF 6432-TM and SF 6432-CN. The SC includes applicability requirements and is comprised of four parts: Price Reduction for Defective Cost or Pricing Data, Audit, Subcontractor Cost or Pricing Data, and Subcontractor Cost or Pricing Data - Price Adjustments. A new standard clause (SC 209-PD) is required in all solicitations above the threshold for obtaining cost or pricing data.

Price/Cost Analysis and Other Support - 3.2.G.8

Price and Cost Analyst - 3.2.G.8.a

When the SCR anticipates that a procurement action will have a proposed aggregate value, including fee or profit, greater than \$550,000 and will require the submission of cost and pricing data, the SCR may submit a request for an independent cost and pricing analysis to both the Price/Cost Analyst (PCA) and Sandia Audit using the Price/Cost Analysis - Preaward Audit Request (PCAPAR) Form (see Section 3.2.G.10.). If a procurement action does not require a pre-award audit, the PCAPAR form should be sent only to the Price/Cost Analyst.

At the SCR and the Requester's request, the PCA may provide assistance during the acquisition

process by participating in the preparation of an independent cost estimate and acquisition plan, verifying that the SOW enables the prospective Contractor to submit a detailed cost quotation and assisting in evaluating the quantitative cost elements of the Contractor's price and cost proposal.

Price and Cost Analysis Requirements - 3.2.G.8.b

The buyers should be instructed to consult with the PCA and/or his manager before formally asking for a Price and Cost Analysis and participation of Contract Audit.

The SCR should consider the following:

- Contractor has DCAA audited labor and overhead rates and there are no other significant costs in the proposal, then the buyer should consider performing their own Price Cost Analysis.
- If the buyer is extremely busy and in his/her opinion could not focus on the cost and price, then the SCR may consider using the PCA after discussing with his/her manager and the PCA.
- If a procurement is below \$550K, but involves a complex cost and price proposal or one where the buyer believes is a high risk cost proposal (i.e., one where audited rates do not exist or no previous experience with the contractor), then the buyer should consider sending over to PCA.
- The SCR should consider using the PCA as a consultant in performing their cost and price analysis. This could include obtaining advice on how to determine a labor rate is reasonable, on what escalation factors to use for labor and other costs, looks into the future on indexes that impact different costs for different procurements, obtaining information on life cycle costs, other as needed.

Price and Cost Analyst Roles and Responsibilities - 3.2.G.8.c

The following defines the role of the PCA as a resource in the procurement process.

- Provides pricing support to the:
 - SCR and Requester in formulating the acquisition plan, preparing independent cost estimates used in the acquisition planning, evaluation of the quantitative cost elements in the Contractor's proposal.
 - SCR in performing price/cost analysis on Contractor's cost proposal, establishing a prenegotiation strategy and objective costs during fact finding and negotiations.

- SCR in coordinating Auditing assistance if required.
- SCR by assisting in negotiations as requested.
- Develops cost and pricing tools, plans, and methodologies, which can improve all cost and pricing evaluations.
- Establishes and maintains a database containing historical and current indirect rates for most active Contractors.
- Assists technical personnel in formulating the pertinent information necessary to build detailed cost estimates.
- Maintains a library of price and inflationary indices available to all SCRs for price/cost analysis or establishing comparisons.
- Acts as liaison in researching Contractor's historical rates from prior contracts.
- Other related duties as assigned by Sandia management.

Technical Assistance - 3.2.G.8.d

SNL's technical staff may be utilized to prepare independent estimates, preparation of cost realism analyses, analyze material costs and quantities, subcontract costs, labor categories, labor hours, labor rates, travel costs, profit factors, and other items which may require technical knowledge.

At the SCR's request, the technical staff will provide a written technical evaluation of the individual cost elements which, at a minimum, will address the need for the cost element, reasonableness of cost element, and the basis for determining need for and reasonableness of each cost element. The cost elements that the Requester/Technical Consultant will usually be requested to evaluate include:

- material needs,
- equipment needs,
- service needs,
- subcontract costs,
- attrition rates,
- labor mix,
- labor quantities,
- travel costs,
- production methods, and

- any other element the SCR may request.

This evaluation will be requested by letter or by Procurement Forms, Request for Technical Evaluation of Cost Proposal – RFQ (greater than \$550,000) or Evaluation of Cost Quotation (less than or equal to \$550,000), which the SCR will tailor to conform to the specific elements of the Contractor's proposal.

Auditing - 3.2.G.8.e

SNL Contract Auditing may be utilized to perform an analysis of the direct and indirect rates and factors of the Contractor's proposals. If the price analysis activity consists of comparing total price(s) or rate(s) rather than analysis of cost data, such analysis will be performed by the SCR. The SCR will request auditing assistance, through the Price/Cost Analysts, using the PCAPAR Form (form can found in "PG Forms.").

Sandia Auditing must determine if the Contractor accounting systems are adequate to support the administration of nonfixed price contracts. Sandia Auditing approval must be obtained prior to the placement of a cost reimbursement, T & M or LH contract with a Contractor whose accounting practices are unknown.

Pre-award Audit/DCAA Support - 3.2.G.9

A pre-award audit shall be performed prior to negotiation of any contract or revision when:

- valued in excess of \$550,000 for firm-fixed price and cost and pricing data is required.
- valued in excess of \$1 million for all other contract types, which will require the submission of cost or pricing data.
 - If the contract pricing is for labor rates only, at the SCR's discretion, a preaward audit is not required when there has been a recent audit (within the past 12 months) by SNL Contract Auditing or a current forward pricing rate agreement has been issued by a cognizant audit agency, i.e., DCAA, DHHS, etc.
 - When substantial lower tier subcontracts and/or purchased parts/material or other direct costs are involved, then a pre-award audit is required, unless the SCR has sufficient information to justify the reasonableness of the cost elements. The SCR should consult with SNL Contract Audit to ensure data validity
- Revision dollar values are aggregate values (i.e., additions and deletions).
- Contracts with educational institutions do not require a pre-award audit.
- Sandia Audit may recommend that the SCR justify the price based on price analysis if adequate cost information cannot be obtained from the Contractor.

- A price/cost analysis or preaward audit report may be requested for contracts less than the above thresholds (but not for contracts valued less than \$100,000) if:
- there is previous unfavorable experience indicating doubtful reliability of the Contractor's estimating, accounting, or procurement methods,
- the procurement is for a new product for which cost experience is lacking, or
- Procurement and Auditing agree such a preaward audit is needed and can be performed.

All inquiries to the Defense Contract Audit Agency (DCAA) for the purpose of verifying rates may be made directly by the SCR. If the specific office will not release data to SNL through the SCR or if a formal audit to be conducted by DCAA is required, route the request through DOE/KAO, Contracting Officer.

Applicable Clauses - 3.2.G.10

- SC 213-HC - Most Favored Customer and Examination of Records
 - SC 209-PD - Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data Contracts/Modifications
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Send feedback on ideas and information on this page to the Process Expert, Randy Shibata.



[Randy Shibata](#)



[Karen Archibeque](#)